



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
*Two Gateway Center*  
*Newark, NJ 07102*

PETITION OF JATO OPERATING TWO )  
CORP. FOR AUTHORITY TO ENTER INTO ) DOCKET NO.: TF00080587  
A CREDIT FACILITY AGREEMENT )

Kelley, Drye & Warren LLP, by John A. Wenzel, Esq., for JATO Operating Two Corp.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising  
Accountant and Julie Huff, Accountant II, Office of the Economist on behalf of the  
Staff of the Board of Public Utilities

BY THE BOARD:

On August 10, 2000, Petitioner, JATO Operating Two Corp. ("JATO" or "Petitioner"), filed its Petition (the "Petition") with the New Jersey Board of Public Utilities ("Board") seeking approval for JATO to enter into a modified Credit Facility Agreement ("Credit Facility"), and to provide other security in connection therewith.

JATO presented evidence through its verified Petition and its responses to the staff's request for further information. The Petition and additional information submitted reveal that JATO Communication Corp. ("JCC"), JATO's parent, is a Delaware corporation with its headquarters in Englewood, Colorado. JCC's operating subsidiaries include, JATO Operating Corp. ("JOC"), JATO Operating Corporation of Virginia ("JOCV") and JATO. JCC, through its subsidiaries, is a rapidly growing, innovative provider of broadband data communications services including high speed Internet access, e-commerce, wide and local area networking and associated applications and services. JATO's services are tailored to meet the growing data communications needs of small- and medium-sized businesses in targeted markets.

JATO's business is nationwide in scope. Petitioner is authorized to provide local exchange telecommunications services in 33 states, including New Jersey (Docket No. TE99070449). JATO's intrastate operations, through the offering of local exchange services, are expected to continue to grow, although they will not be concentrated in any particular state.

The Credit Facility is a modification and restatement of an earlier Credit Facility entered into by JCC and JOC, neither of which provides telecommunications services in this state. The principal effect of the modification is to (i) add JATO to the Credit Facility and (ii) increase the

amount of the Credit Facility from Fifty Million Dollars (\$50,000,000) up to an amount as-yet undetermined but not to exceed One Hundred Million Dollars (\$100,000,000). The credit will be made available by Lucent Technologies Inc. as the Administrative Agent and State Street Bank and Trust Company as the Collateral Agent. Additional or different lenders may participate under this agreement pursuant to an Assignment and Acceptance.

The exact amount of each credit and the terms under which it may be available will be finalized at the time the credit is made available. The terms which JATO expects will be substantially similar to those described in the Petition. The borrowings may be used for payments of the purchase price and permitted expenses to cover the value of equipment for Lucent Technologies Inc. products and services. Security for the loans made pursuant to the Credit Facility will consist of a guaranty by JCC, a pledge of the stock held by JCC in JATO and JOC, and a security interest in the assets of JCC, JATO and JOC.

According to Petitioner, the proposed transaction is in the public interest by enhancing the ability of JATO, its parent and affiliate to grow and compete in the highly competitive markets for telecommunications services in New Jersey and nationwide.

After review, the Board HEREBY FINDS that the transaction is in accordance with the law, is in the public interest and approving the purposes thereof, HEREBY AUTHORIZES Petitioner to do the following:

1. To Enter into and provide other security in connection with a pre-existing Credit Facility discussed above.
2. To borrow up to \$100,000,000 as proposed, subject to the following conditions:
  - (a) An event of default under the Credit Facility or any related agreement shall not result in any transfer of ownership of any of Petitioner's certificates without prior Board approval.
  - (b) Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets or shares of capital stock. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable.
  - (c) The Board's approval herein should not be interpreted as limiting the Board's authority over the Petitioner to the extent that any action contemplated in the Credit Agreement would require further Board review and approval under applicable law.
3. Each of the foregoing approvals is subject to the following additional conditions:
  - (a) This Order shall not affect or in any way limit the exercise of the authority of the Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing

(including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting the Petitioner.

- (b) This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.

DATED: October 2, 2000

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]  
HERBERT H. TATE  
PRESIDENT

[SIGNED]  
CARMEN J. ARMENTI  
COMMISSIONER

[SIGNED]  
FREDERICK F. BUTLER  
COMMISSIONER

ATTEST:

[SIGNED]  
FRANCES L. SMITH  
SECRETARY